



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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November 8, 1995

Elaine J. Dorward-King
Director Environmental Affairs
Kennecott Bingham Canyon Mining Company
8315 West 3595 South
Magna, Utah 84044-6001

Re: Reclamation Surety Replacement, Kennecott Bingham Canyon Mining Company, UCD Modernization Project, M/035/011, Salt Lake County, Utah

Dear Ms Dorward-King:

We have been in contact with Dawn Elton of Poulton Associates Inc., regarding the replacement of the reclamation surety posted with the Division for the UCD Modernization project. This replacement is due to a change in company name and a change in surety company. No changes to the approved large mining operations notice of intention are proposed at this time.

The Board of Oil, Gas and Mining has directed the Division to update existing reclamation sureties when these documents are being revised. The update process in this case involves escalating the original base surety amount to reflect current 1995 dollars. The 1995 dollar amount is then escalated five years into the future using a projected escalation factor. The new surety amount required by the Division for the UCD Modernization project is \$10,429,000 in terms of year 2000 dollars. A copy of the calculation sheet supporting this new amount is attached.

We have provided this updated surety information to Poulton Associates, Inc., and have also reviewed their draft versions of the Reclamation Contract (form MR-RC) and the Surety Bond (form MR-5). Since this replacement surety is not associated with a permit amendment or revision, there are no specified Division deadlines affecting this replacement process. After receiving the final drafts of the required documents, we will schedule this item before our Board at their next scheduled hearing. The existing surety must remain in effect until the replacement surety is approved by the Board. It is usually convenient for the replacement surety to become effective on the date of the Board hearing. After receiving the final drafts of these documents,



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we will inform you of the next scheduled Board hearing so you can make the necessary arrangements with the surety companies. If you have any questions in this regard, please contact me or Wayne Hedberg here at the Division.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony A. Gallegos". The signature is fluid and cursive, with a long horizontal stroke at the end.

Anthony A. Gallegos
Senior Reclamation Specialist

jb

Attachment: reclamation surety update calculation sheet

cc: Dawn Elton, Poulton Associates, Inc.

M35-11UP.LET

SURETY ESTIMATE UPDATE

Kennecott Bingham Canyon Mining Company

filename m35-11up.wb2

UCD Modernization Project

Last Update

11/07/95

M/035/011

Salt Lake County

Prepared by Utah Division of Oil, Gas & Mining

DESCRIPTION:

- This surety update is due to a change in company name & a change in surety company
 - No modifications are being made to the approved plan at this time
 - Surety estimate for Phase I & II was \$5,982,948 in 1986-\$
 - Surety estimate for Flotation/Molybdenum facilities was \$1,643,000 in 1986-\$
 - Combining these surety amounts gives a total of \$7,625,948 in 1986-\$
 - The 1986-\$ total is escalated to 1995-\$ using the actual escalation factors shown
 - This 1995-\$ figure is escalated five years forward to the year 2000-\$
 - Escalation factors through 1994 are actual Means Historical Cost Indices
 - Total disturbed area = 588 ACRES
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CALCULATIONS

	YR	ESCAL FACTOR	BOND AMOUNT	
$F = P(1 + i)^{**n}$	1985	0.0290	\$0	
	1986	0.0210	\$7,625,948	base amount
F = Future Sum	1987	0.0195	\$7,774,654	
P = Present Sum	1988	0.0181	\$7,915,375	
i = Escalation Factor	1989	0.0177	\$8,055,477	
n = number of periods	1990	0.0077	\$8,117,505	
	1991	0.0127	\$8,220,597	
	1992	0.0221	\$8,402,272	
	1993	0.0261	\$8,621,571	
	1994	0.0321	\$8,898,324	
Three Yr Average = 2.68%	1995	0.0268	\$9,136,799	
Used to Project 5 Yrs	1996	0.0268	\$9,381,665	
Into the Future	1997	0.0268	\$9,633,094	
From the Year 1995	1998	0.0268	\$9,891,261	
	1999	0.0268	\$10,156,346	
	2000	0.0268	\$10,428,536	

Updated Surety Amount Rounded (2000-\$)

\$10,429,000

Average cost per acre =

\$17,736 (\$/ACRE)
